

INTERIM REPORT

Q1 2016

Agenda

CEO's review

Veli-Matti Mattila, CEO

Financial review

Jari Kinnunen, CFO

CEO's review

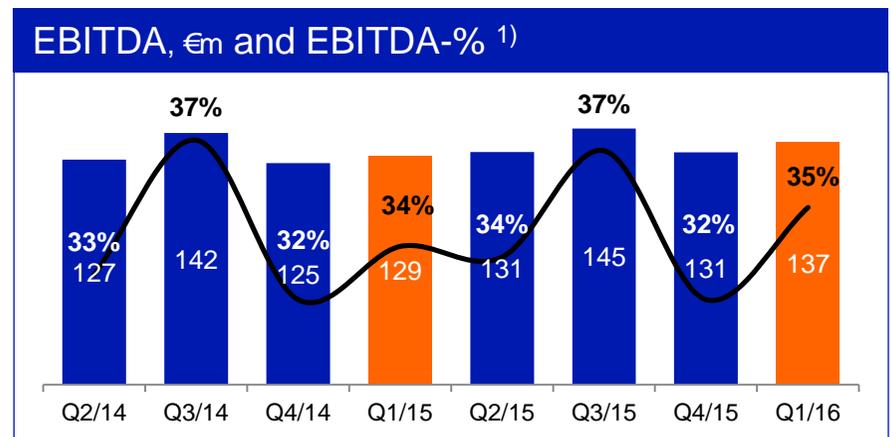
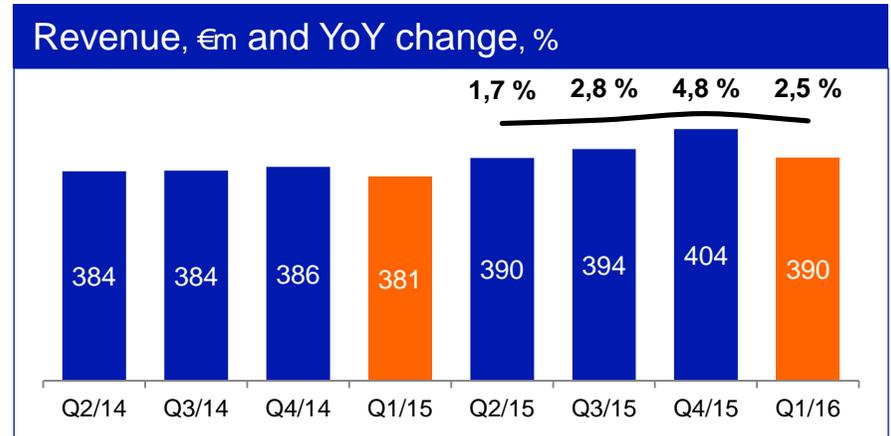
- Q1 2016 financial and operational highlights
- Segment review
- Strategy execution
- Outlook and guidance for 2016

Q1 2016 highlights

- Revenue grew by 2% and EBITDA by 6%
- Mobile service revenue grew by 9%
- Mobile and fixed broadband subscriptions decreased, seasonality in mobile
- Good profit growth in Consumer Customers segment again, Corporate Customer segment's profit continued to improve
- Demand for faster mobile data speeds continued, smartphone penetration 70%
 - Smartphones 94% of new sales, 99% 4G-capable
- Success of Elisa Viihde service continued

Best ever Q1, revenue grew and profitability improved

- Revenue €390m (381)
- EBITDA €137m (129)
- EBIT €84m (76)
- Earnings per share €0.39 (0.37)
- Net debt / EBITDA 1.7 (1.8)
- CAPEX €44m (52)



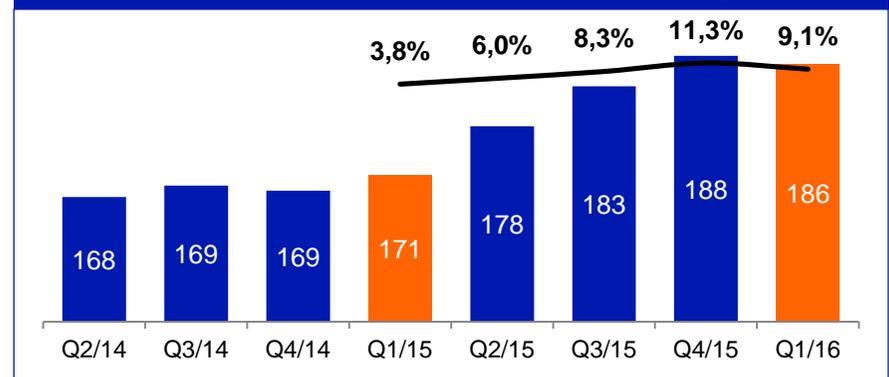
¹⁾ Excluding one-offs

Mobile service revenue growth continues

- Mobile service revenue up by 9.1%

- Up-selling to higher speeds
- More smartphones and data bundle subscriptions
- Price changes

Mobile service revenue, €m and YoY change, %



- Decrease in mobile subs base due to seasonality

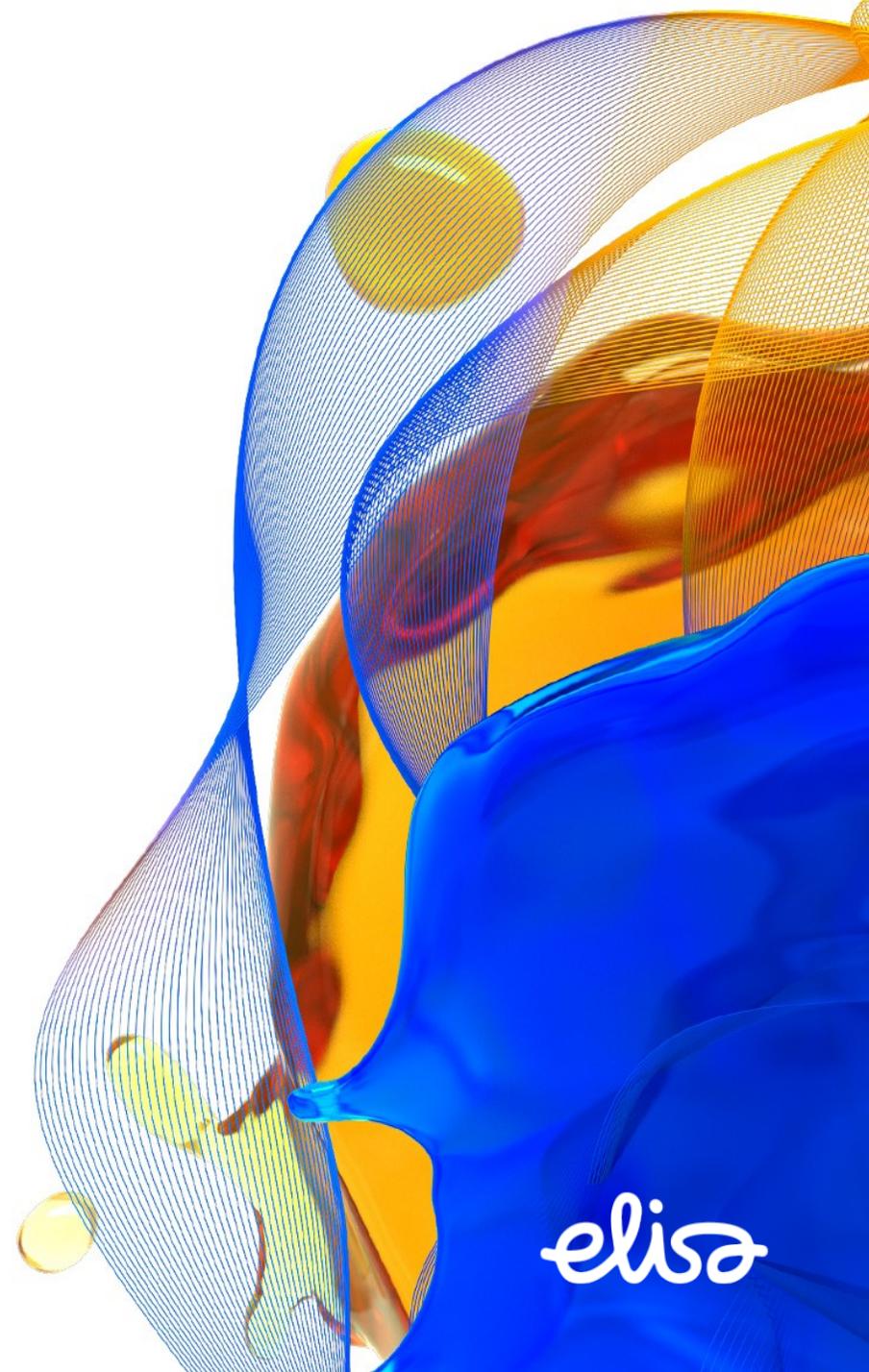
- Finland -6,800, growth in corporate segment
- Estonia -9,300, prepaid base down
- Fixed broadband down by 5,300
- Growth in Elisa Viihde service
- Churn 16.1%

Mobile subs, millions and churn*, %



* Annualised

Business segments

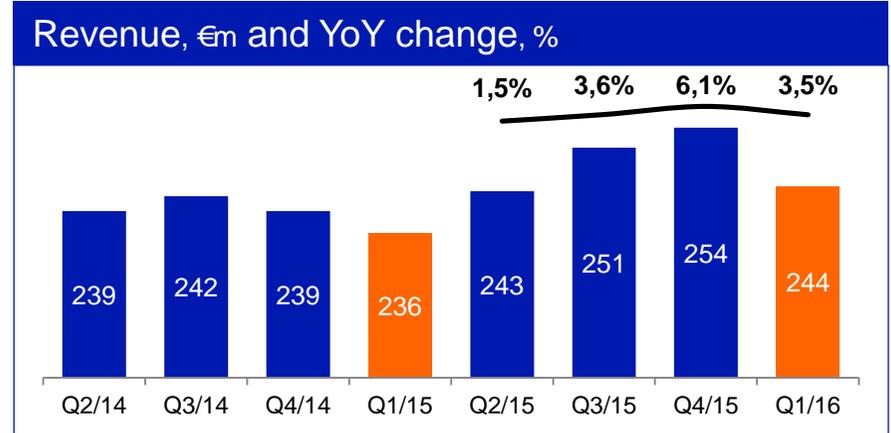


elisa

Revenue and EBITDA increased

- Revenue €244m (236)

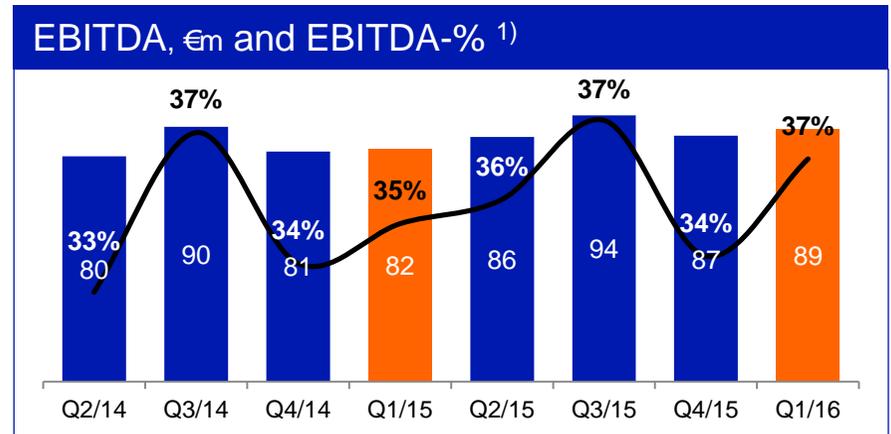
- Strong growth in mobile service revenue
- Growth in new services
- Traditional fixed revenue, interconnection revenue and operator sales decreased



- EBITDA €89m (82)

- Mobile service revenue growth
- Productivity improvements

- CAPEX €25m (29)

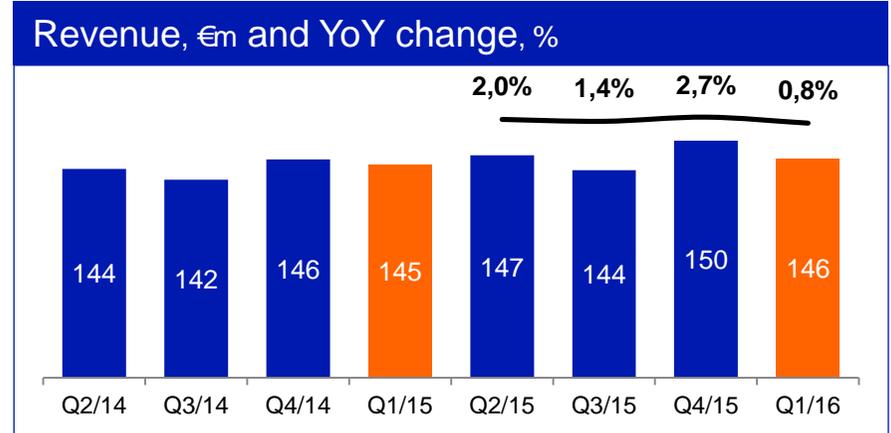


¹⁾ Excluding one-offs

EBITDA continued to improve

- Revenue €146m (145)

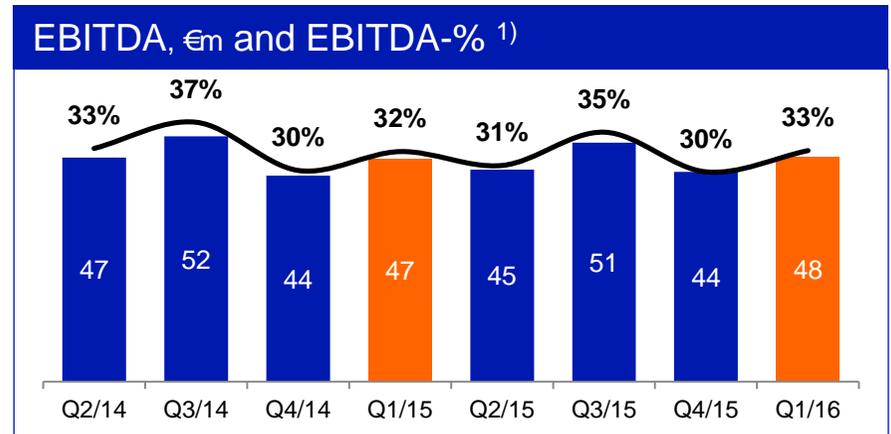
- Growth in mobile service revenue and fixed revenue
- Visual communication, equipment sales and operator sales decreased
- Decrease in interconnection revenue



- EBITDA €48m (47)

- Revenue growth
- Productivity improvements

- CAPEX €20m (22)

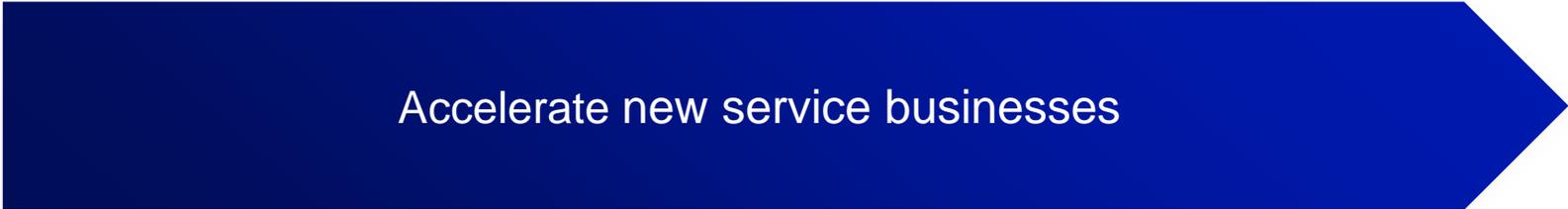


¹⁾ Excluding one-offs

Strategy execution



Build value on data



Accelerate new service businesses

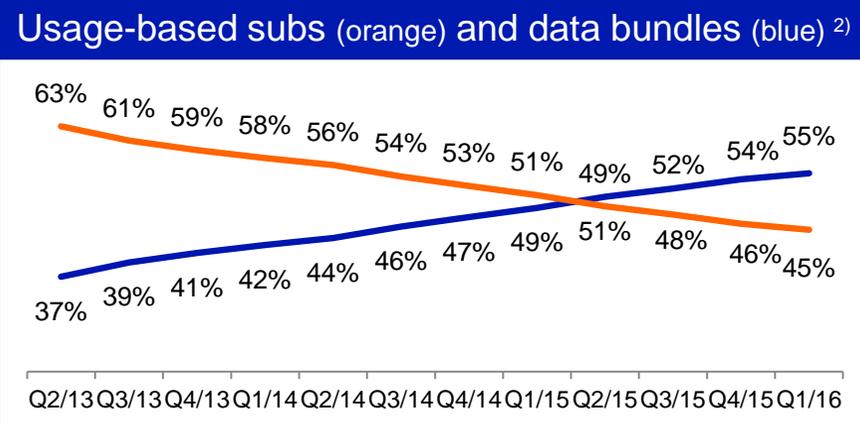
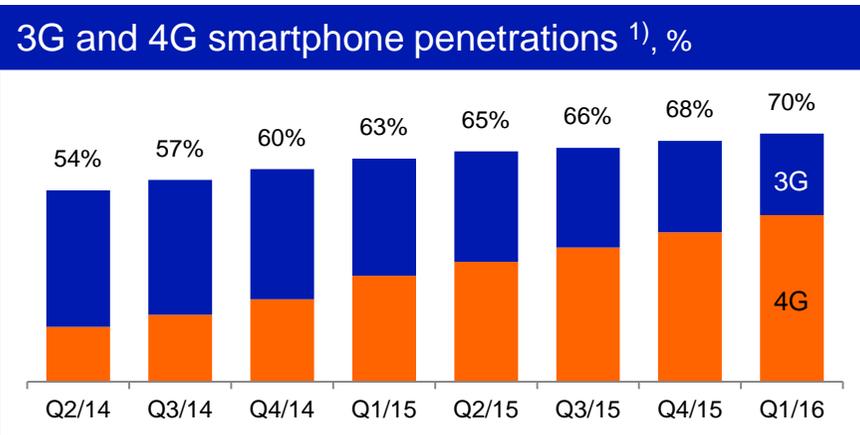


Improve performance with
customer intimacy and operational excellence

Strong growth in 4G smartphones and data bundles

- 70% of customers use a smartphone
 - 68% of smartphones are 4G-capable
- Of all models sold in Q1
 - 94% were smartphones, 99% 4G-capable (94% and 85% respectively in Q4)

- Proportion of data bundles continues to grow
 - 55% of voice subs²⁾ are new types of fixed-monthly-fee, “all-you-can-eat” data bundles
 - Majority still at 3G speeds, good 4G up-selling potential



¹⁾ iOS (iPhone), Android, and Windows phones of the total phone base (no tablets)
²⁾ Post-paid subscriptions in Finland (unlimited usage)



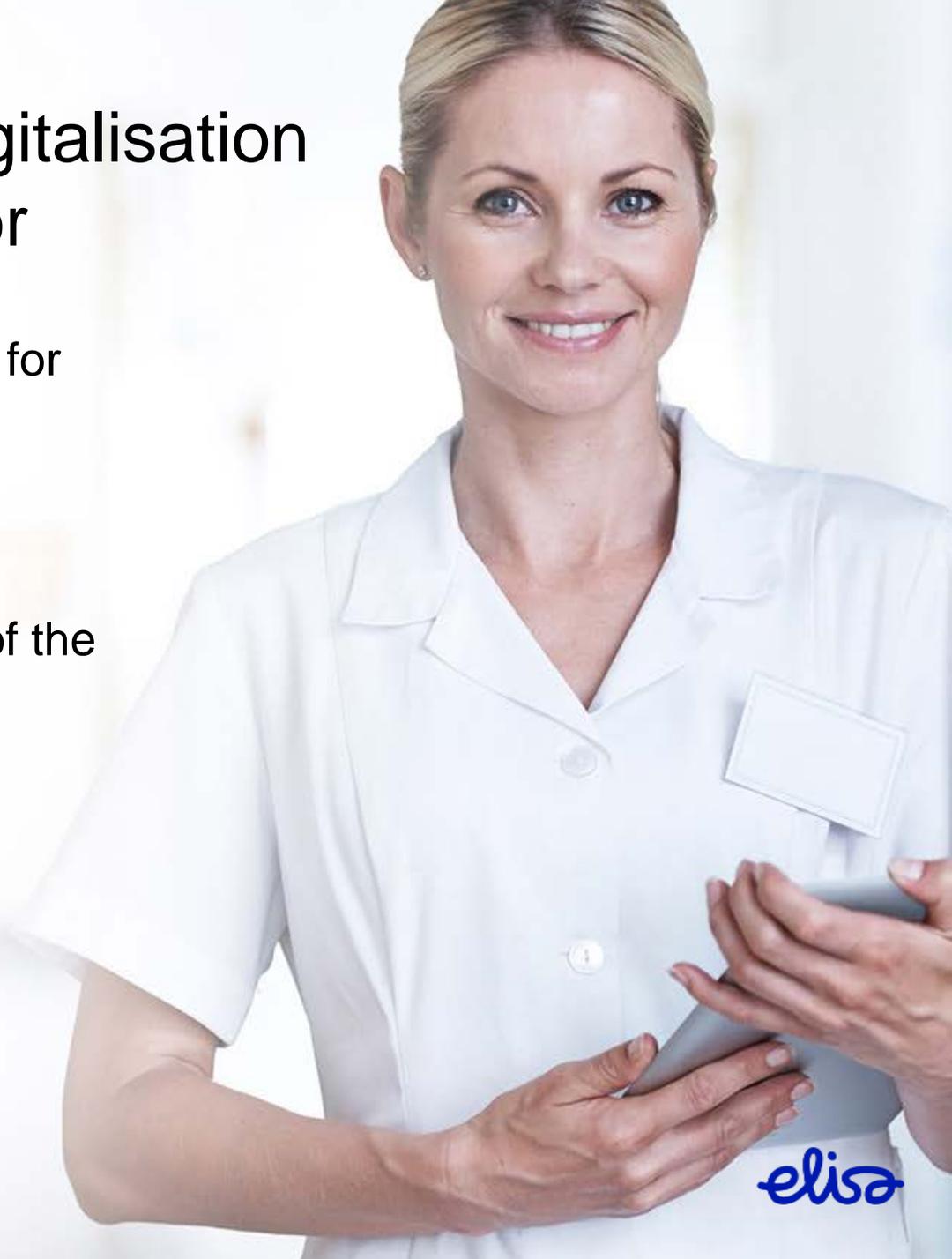
Fanseat OTT service to international distribution

- Service includes several sports leagues and events
 - E.g. domestic basketball and ice hockey games
 - Also top European football games from Sweden, Denmark and Holland
- Included in Elisa Viihde service – also available as an OTT service
 - Fanseat service has international viewers



Elisa contributes to the digitalisation of the Finnish public sector

- Real-time indoor positioning system for the Hospital District of Helsinki and Uusimaa
- Effective monitoring of the location of the medical devices
 - Improves the safety of patients
 - Makes the work of the health care staff more efficient
 - Reduces waste



Outlook and guidance for 2016

Macroeconomic environment still weak in 2016, competition remains challenging

- Revenue at the same level as in 2015
- EBITDA excluding one-offs at the same level as in 2015
- CAPEX maximum 12% of revenue

Agenda

CEO's review

Veli-Matti Mattila, CEO

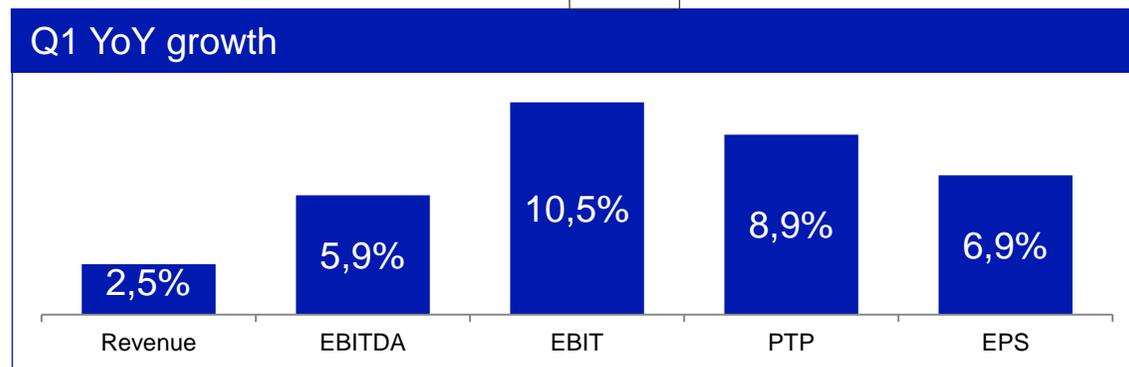
Financial review

Jari Kinnunen, CFO

Growth continues

- Revenue growth 2%
- EBITDA growth 6%
 - Mobile service revenue growth
 - Productivity improvements
- Depreciation at same level
- Financials
 - Interest income and expenses -€6m (-6)
 - Associated companies' profit -€1m (0.7)
- Taxes
 - Effective tax rate slightly higher
 - Cash taxes YoY at same level
- EPS growth 7%

EUR million, excl. one-offs	Q1/16	Q1/15	Δ ¹⁾	Δ %	2015
Revenue	390	381	9	2 %	1,569
EBITDA	137	129	8	6 %	536
<i>EBITDA-%</i>	<i>35%</i>	<i>34%</i>			<i>34%</i>
Depreciation and amortisation	-53	-53			-220
EBIT	84	76	8	11 %	322
<i>EBIT-%</i>	<i>22%</i>	<i>20%</i>			<i>20%</i>
Net financial items	-7	-5			-21
Profit before tax	77	71	6	9 %	300
Income taxes	-14	-12	-2	18 %	-47
Net Profit	63	59	4	7 %	246
EPS, €	0.39	0.37	0.03	7 %	1.54



¹⁾ Difference is calculated using exact figures prior to rounding

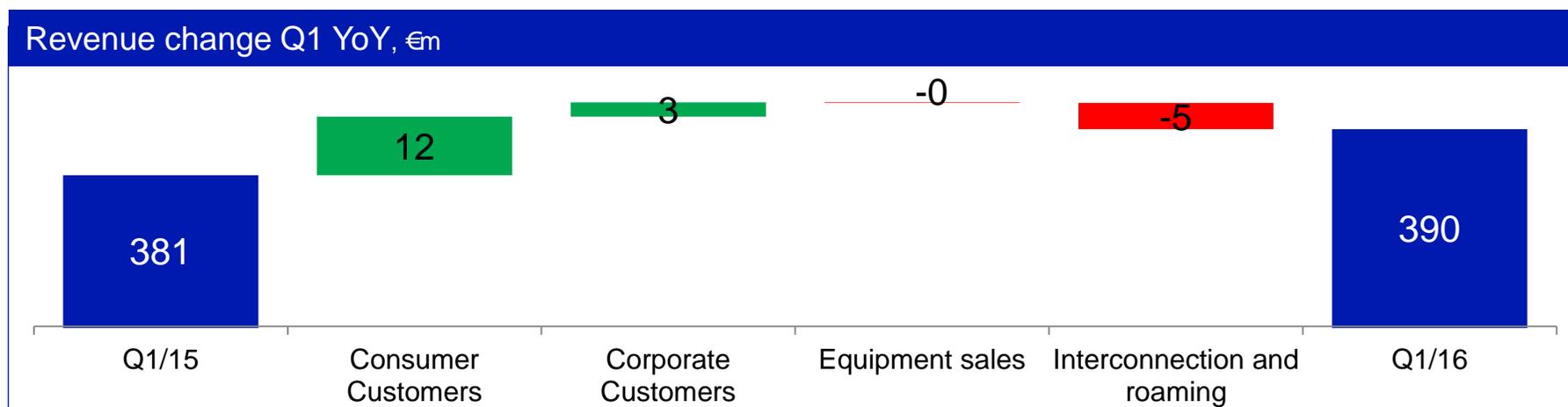
Growth in both business segments, MTR down

- **Consumer Customers**

- Growth in mobile and online services
- Decrease in fixed voice and operator sales

- **Corporate Customers**

- Growth in mobile and fixed telecom services
- Decrease in visual communications and operator sales

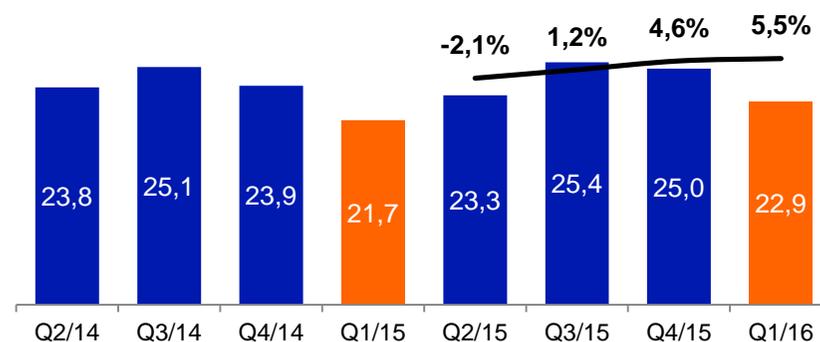


Growth continues in Estonia

- Revenue €22.9m (21.7)

- Growth in mobile service revenue and equipment sales
- MTR cut to €0.01 (-10%) 1 July 2015

Revenue, €m and YoY change, %



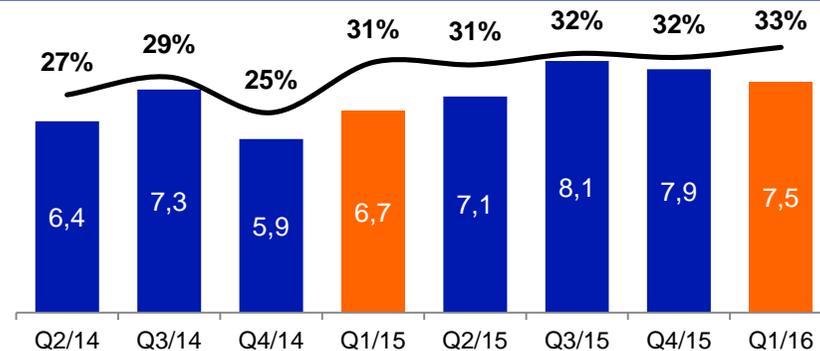
- EBITDA €7.5m (6.7)

- Mobile service revenue
- Productivity improvements

- CAPEX €2.9m (4.2)

- CAPEX / sales 12.7%

EBITDA, €m and EBITDA-%

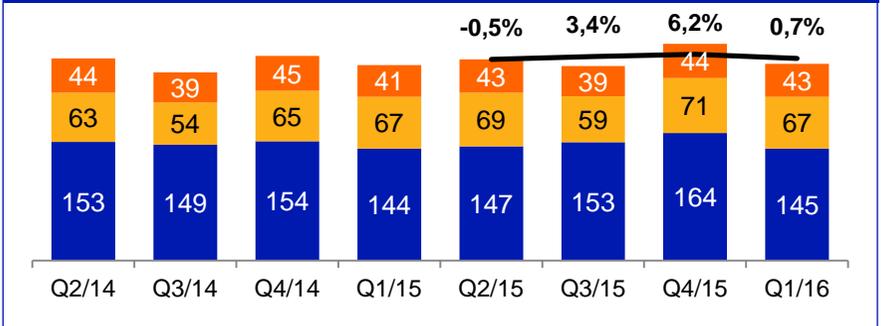


Total expenses increased slightly

- Revenue increase €9m, expenses €2m
- Total OPEX EUR 254m (252)
- OPEX increased
 - Equipment purchases and IT expenses
- OPEX decreased
 - Interconnection and roaming
 - Continuous productivity improvements

- Stable depreciation excluding one-offs
 - Long-term stable CAPEX level

Material and services (blue), employee (yellow) and other expenses (orange), €m, YoY change (black line)



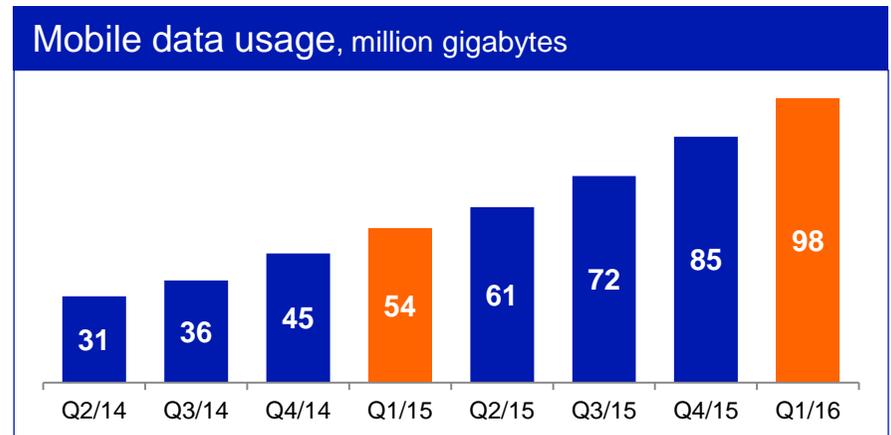
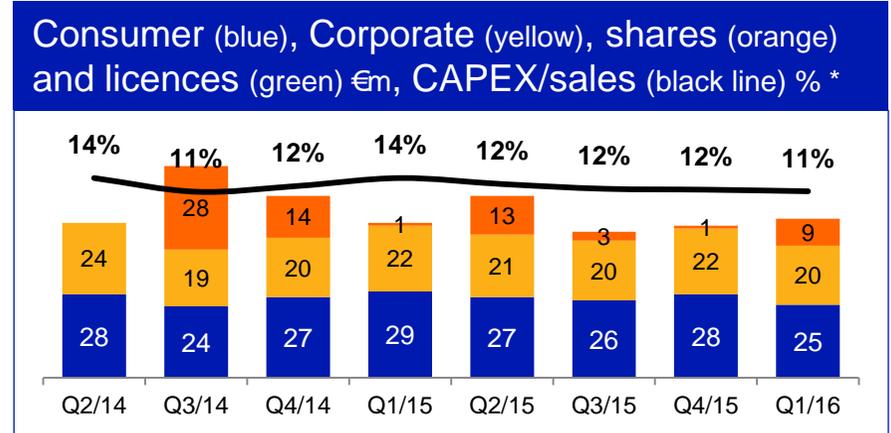
Depreciation, €m



* EUR 6m one-off in Q4/15

CAPEX according to guidance

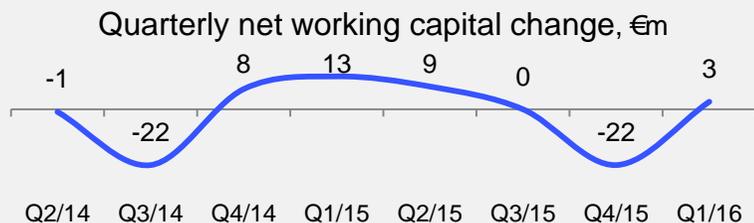
- CAPEX €44m (52)
 - Consumer €25m (29)
 - Corporate €20m (22)
 - CAPEX / sales 11%, in line with guidance
- CAPEX / sales guidance for 2016: max. 12%
- Stable CAPEX level despite strong mobile data growth
 - Mobile data YoY growth 83%



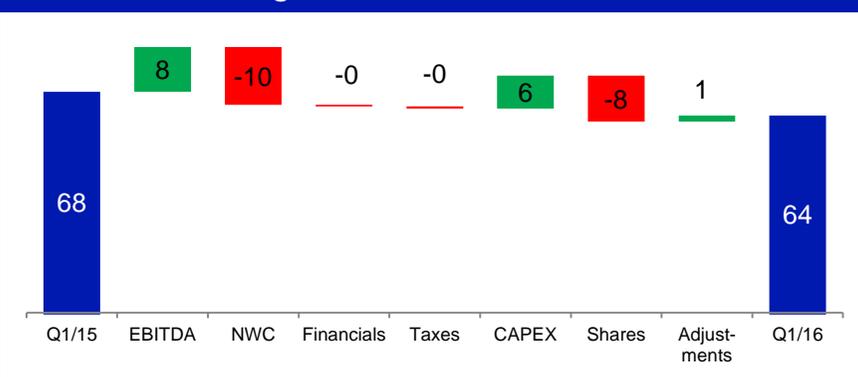
* CAPEX/sales excluding investments in shares and licence fees.
 Q3/14 includes purchases of Anvia and Videra shares
 Q4/14, Q2/15 and Q1/16 includes purchases of Anvia shares.

Strong cash flow continues

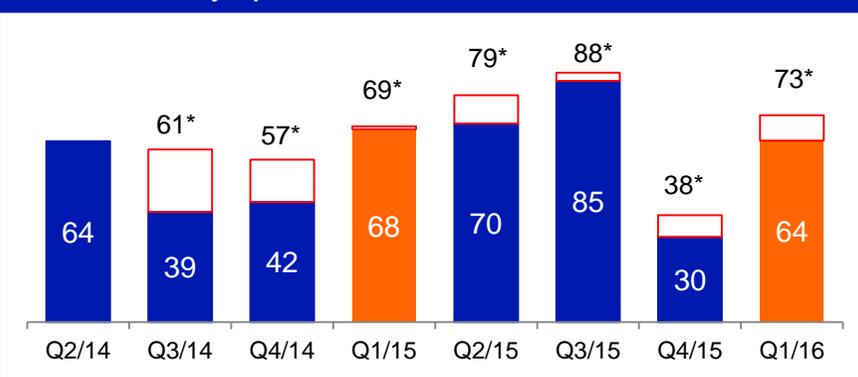
- Cash flow YoY change -€4m, excluding share purchases +€4m
- Growth excl. share purchases 5.4%
 - NWC change positive, but lower than in Q1/15
 - Inventories down from Q4/15 peak
 - Lower payables



Cash flow change, €m



Cash flow by quarter, €m



* Excluding share purchases and licence payments

Solid liquidity position remains

- Cash and undrawn committed credit facilities €511m (361)

- Revolving credit facilities fully undrawn
- €150m loan commitment signed in October

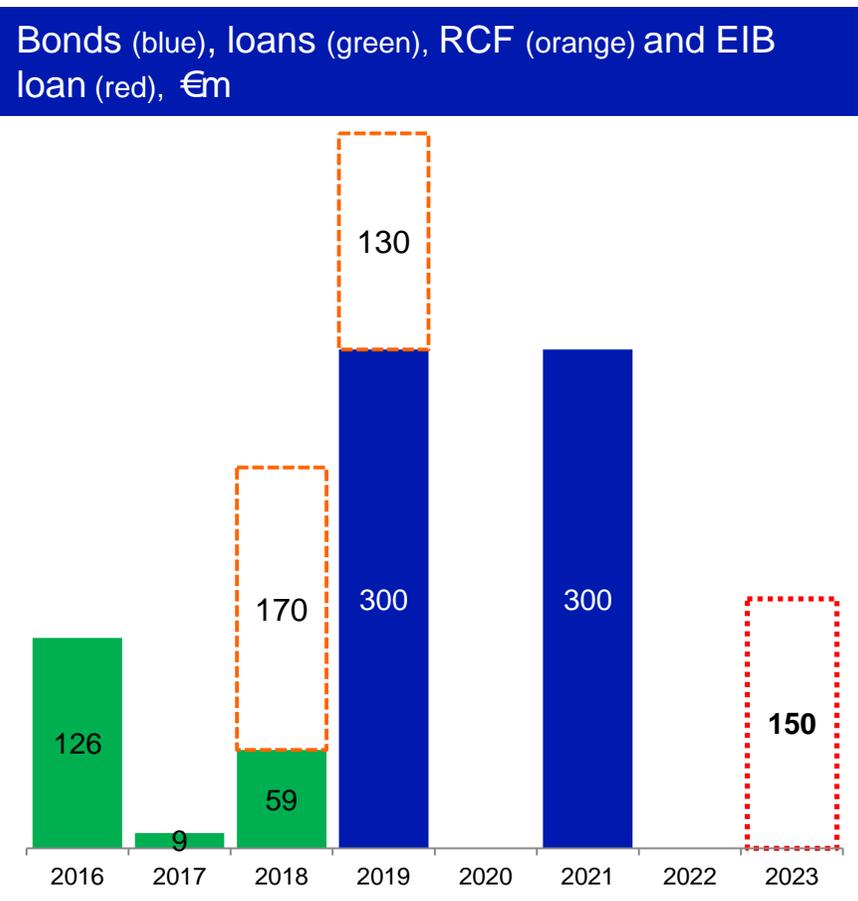
- Commercial paper programme

- €146m in use as of 31 March 2016

- Credit ratings

- S&P BBB+ Stable outlook
- Moody's Baa2 Stable outlook

Bonds and bank loan maturities 31 March 2016



¹⁾ EIB loan commitment signed on 6 October 2015

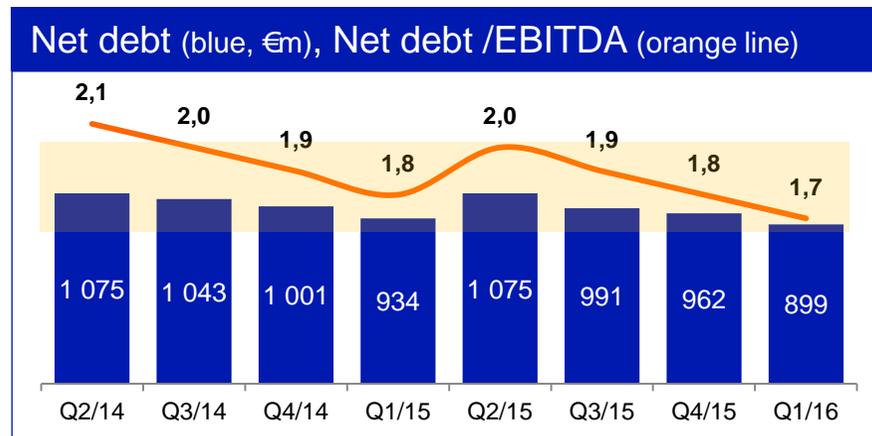
Capital structure in target and return ratios improved

- Net debt at target level

- Net debt / EBITDA 1.7x
- Gearing 118%, equity ratio 34%

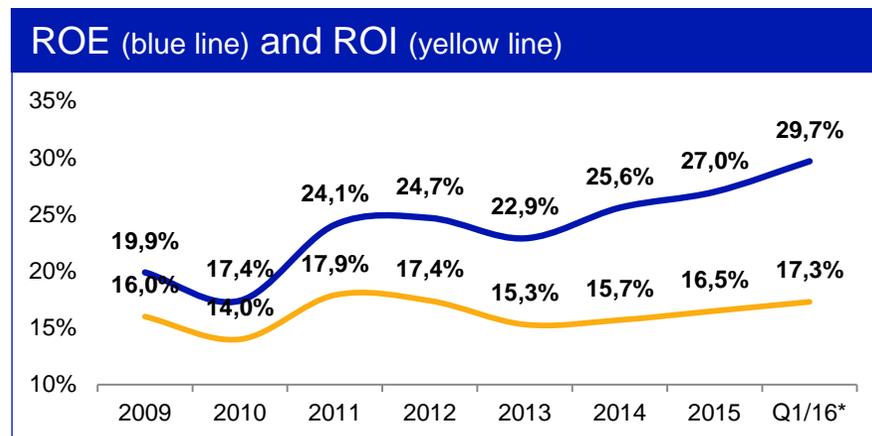
- Target setting

- Net debt / EBITDA 1.5–2x
- Equity ratio >35%



- Return ratios improved further

- Improved result
- Efficient capital structure



*Last four quarters profit per average of last four quarters equity

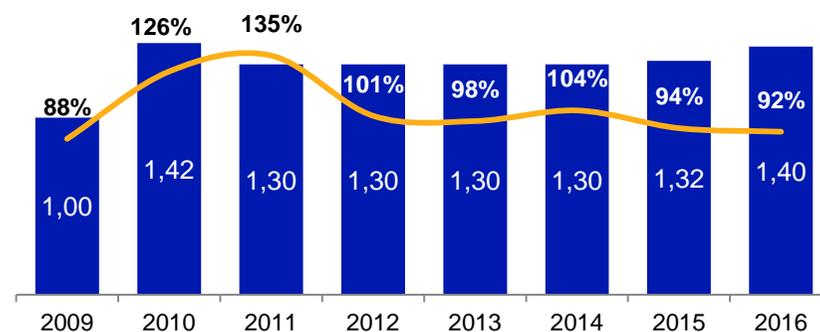
Competitive remuneration continues

- Dividend €1.40 per share
 - Total €223m
 - Paid April 2016
 - Payout ratio 92%
- Authorisation for buyback of 5m shares

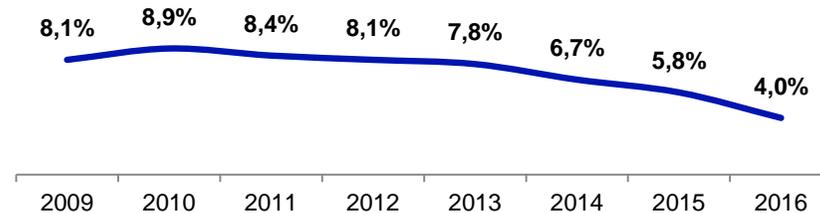
- Dividend yield 4.0% ¹⁾
- Strong commitment to competitive shareholder remuneration
 - Distribution policy 80–100% of net profit

¹⁾ as per share price of 30 December 2015 (€34.79)

Dividend and pay-out ratio



Dividend yield





Contacts:

Mr. Vesa Sahivirta

vesa.sahivirta@elisa.fi

+358 102 623 036

Download the Elisa IR App



APPENDIX

Cash flow YoY comparison

€ million	Q1/16	Q1/15	Δ ¹⁾	Δ%	2015
EBITDA	137	129	8	6 %	532
Change in receivables	2	-5	7		-2
Change in inventories	6	5	1		-6
Change in payables	-6	12	-18		7
Change in NWC	3	13	-10		-0
Financials (net)	-10	-9	0		-18
Taxes for the year	-13	-12			-54
Taxes for the previous year					2
Taxes	-13	-12	0		-52
CAPEX	-44	-50	6		-193
800 MHz licences ²⁾	0	0	0		-7
Investments in shares ³⁾	-9	-1	-8		-13
Sale of assets and adjustments	-1	-2	1		4
Cash flow after investments	64	68	-4	-6 %	253
Cash flow after investments excl. acquisitions ⁴⁾	73	69	4	5 %	266

¹⁾ Difference is calculated using exact figures prior to rounding

²⁾ 800 MHz LTE licence in Finland 2014 and 2015 €7m

³⁾ Investment in Anvia in H2/14 and 2015

⁴⁾ Excluding Anvia shares

APPENDIX

Cash flow by quarters

€ million	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
EBITDA	137	128	145	131	129	125	142	127
Change in receivables	2	10	-22	15	-5	9	0	-14
Change in inventories	6	-12	4	-2	5	-4	0	1
Change in payables	-6	-20	18	-3	12	4	-22	12
Change in NWC	3	-22	0	9	13	8	-22	-1
Financials (net)	-10	-8	1	-1	-9	-9	-2	-2
Taxes for the year	-13	-15	-13	-13	-12	-13	-13	-12
Taxes for the previous year		0	0	2				1
Taxes	-13	-15	-13	-11	-12	-13	-13	-11
CAPEX	-44	-48	-45	-50	-50	-46	-43	-51
800 MHz licence fees	0	-7				-7	0	0
Investments in shares	-9	-1	-3	-9	-1	-15	-22	-1
Sale of assets and adjustments	-1	2	2	2	-2	-2	-1	4
Cash flow after investments	64	30	85	70	68	42	39	64
Cash flow after investments excl. acquisitions	73	30	88	79	69	57	61	64

APPENDIX

Debt structure

€ million, at the end of the quarter	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14
Bonds and notes	593	592	592	592	591	591	590	590
Commercial papers	146	171	229	219	169	210	200	217
Loans from financial institutions	195	200	200	205	205	211	211	216
Financial leases	27	28	29	30	30	31	32	33
Committed credit lines ¹⁾	0	0	0	90	0	0	50	70
Interest-bearing debt, total	961	991	1 050	1 135	995	1 043	1 083	1 126
Cash and cash equivalents	61	29	59	60	61	41	40	51
Net debt ²⁾	899	962	991	1 075	934	1 001	1 043	1 075

¹⁾ The committed credit lines are EUR 130 million and EUR 170 million revolving credit facilities with five banks, which Elisa Corporation may use flexibly on agreed pricing. The loan arrangements are valid until 11 June 2019 and 3 June 2018. Elisa has EUR 150m loan agreement with EIB which is undrawn.

²⁾ Net debt is interest-bearing debt less cash and interest-bearing receivables.